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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6723
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 0623
RUEHBJ/AMEMBASSY BEIJING 1562
RUEHKA/AMEMBASSY DHAKA 4645
RUEHNE/AMEMBASSY NEW DELHI 4160
RUEHUL/AMEMBASSY SEOUL 7713
RUEHKO/AMEMBASSY TOKYO 5273
RUEHCN/AMCONSUL CHENGDU 1233
RUEHCHI/AMCONSUL CHIANG MAI 1147
RUEHCI/AMCONSUL KOLKATA 0099
RUEATRS/DEPT OF TREASURY WASHDC
RUEHGV/USMISSION GENEVA 3356
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 1060
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001048

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STATE FOR EAP/MLS; EEB/TFS
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TREASURY FOR OASIA:SCHUN

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TAGS: [ECON](#) [PGOV](#) [PREL](#) [EAIR](#) [BM](#)
SUBJECT: AIR BAGAN LAMENTS LASTEST SANCTIONS

RANGOON 00001048 001.2 OF 002

Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b,d)

¶1. (C) Summary. Air Bagan's Managing Director rejected claims that the company's profits were being used to prop up the Burmese regime during an October 23 meeting. Instead, he and his colleagues emphasized that the company's only mission was to develop Burma's deteriorating aviation sector. They expressed concern that the sanctions would force the company, which barely generated a profit in 2006, to shut down operations, and requested Embassy assistance to remove Air Bagan from the sanctions list, which we have no intention of doing. End Summary.

Small Operation with No Profit

¶2. (C) We met with Air Bagan Managing Director Soe Win, Air Bagan Director Aung San, and aviation consultant Zaw Win on October 23 to discuss why the United States Government imposed sanctions on Air Bagan. Soe Win began the meeting by explaining Air Bagan's domestic and international operations, which began in 2004. Air Bagan Ltd, Burma's largest air carrier, employs more than 650 people, operates eight planes (including two A310s owned by Singapore-based Air Bagan Holdings), and flies to 17 domestic destinations, as well as to Bangkok and Singapore. Soe Win, who used to be managing director of Myanmar Airways, noted that he and Tay Za started the airline to improve Burma's deteriorating aviation industry.

¶3. (C) Aung San lamented that the latest sanctions would negatively impact Air Bagan's operations, particularly the international flights. Noting the lack of passengers and Burma's poor economic conditions, he stated that Air Bagan recently cut the number of flights to Singapore from daily to

three times a week. Air Bagan has yet to turn a real profit, he acknowledged, and the sanctions will put more financial strain on the company. Aung San asserted that the new sanctions will make it more difficult for Air Bagan to obtain spare parts for its planes, particularly those with American-made Pratt and Whitney engines. He expressed concern about how foreign companies based out of Singapore and Europe would react to these new sanctions. He then relayed his fears that Air Bagan would be forced to shut down all operations.

¶4. (C) After inquiring why the USG included Air Bagan on its sanctions list, Soe Win denied that profits from Air Bagan were used to prop up the Burmese regime. Air Bagan earned only \$50,000 in profit in 2006, which was directly invested into company operations. "We are professionals," he declared, "Air Bagan's only mission is to develop Burma's aviation infrastructure, not support the government." He then requested that the Embassy assist in removing Air Bagan's name from the sanctions list, which Econoff said would not be possible.

Documents from Tay Za

¶5. (C) At the end of the meeting, Soe Win stated that he would encourage Tay Za to meet with us directly to discuss the sanctions. Although Tay Za had requested the meeting yesterday, Soe Win claimed personal reasons prevented him from joining the meeting. He then handed us a draft letter from Tay Za, as well as financial statements from Air Bagan, Htoo Trading, Htoo Wood Products, and Pavo Trading Ltd. In the letter, Tay Za criticized the USG for sanctioning his family's financial assets, particularly those of his 20-year old son Pye Phyto Tay Za, with little to no evidence. He also

RANGOON 00001048 002.2 OF 002

denied that he was the son-in-law of Than Shwe. Tay Za argued that bank records showed that none of the companies turned in a large profit in 2006: Air Bagan reported a profit of \$52,779 with net assets of \$10.3 million; Pavo Trading reported a profit of \$2 million; Htoo Wood Products reported a net loss of \$50,276; Htoo Trading reported a profit of \$58.3 million. Tay Za also asserted that the USG should rethink sanctions, as they would hurt the more than 14,000 Burmese that allegedly depend on his companies' charity work. We promised to pass the information to relevant agencies. We will forward the documents to EAP/MLS.

Comment

¶6. (C) Although we have been seeking meetings with Tay Za for a long time, this is the first time that he has requested to meet with us. We have his attention and likely that of Than Shwe and others who profit from Tay Za's businesses. Now that they have helpfully provided additional financial information about his operations, we might be able to tighten the financial screws even more.

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